

Sales reports: No monthly GST return option available to pharma cos, claims KTBA

KARACHI: No monthly sales tax returns option is available to report sales by the pharmaceutical industry. This was stated by the Karachi Tax Bar Association in a letter sent to the chairman of FBR.

The KTBA said that serial no.19 of the fifth schedule to the Act, containing “substances registered as drugs” was omitted and new serial nos. 81 and 82 were introduced in Table-1 of the Eighth Schedule to the Act through the Finance Act, 2022.

After the induction of new serial – 81 & 82, the manufacturer/importer of drugs shall charge and pay 1% sales tax, which would be a final discharge of their sales tax liability in the entire supply chain of pharma products. This clearly implies that if a manufacturer or an importer has paid the above 1% sales tax on the supply or import of finished goods (drugs), respectively, then no sales tax would be applicable on the subsequent supply of such pharma goods, KTBA said.

Following the recent amendments, the pharmaceutical industry is facing practical issues.

- Reference of serial No.19 of the Fifth Schedule to the Act is not being appeared at the time of declaring sales returns/cancellation through credit/debit notes at Annexure-C (uploaded through an invoice management system). Consequently, sales returns pertaining to January 2022 to June 2022 made @ 0%, are not being declared in the tax periods of July 2022 and August 2.
- Option for reporting exempt sales made by pharmaceutical distributors is not available at Annexure-C (uploaded through an invoice management system) for the tax period of July 2022 due to which, pharmaceutical distributors are unable to file their monthly sales tax returns.

KTBA requested the chairman FBR to intervene and condone the due date for filing monthly sales tax returns for the pharmaceutical industry till the issue remained unresolved.

Pharma raw materials: No input tax adjustment after 1pc GST payment: FBR

In another letter sent to the chairman, KTBA said that a tax of 20% has been imposed on deemed income calculated at five 5% of the Fair Market Value of a capital asset situated in Pakistan. The fair market value has been defined in Section 68 of the Ordinance and has also been notified by FBR through a number of SROs.

Therefore, it is recommended that such a valuation table be incorporated in the back end working of the income tax return after which the calculation of tax under Section 7E would be calculated automatically by the IRIS system based on the description of property incorporated by the taxpayer in its wealth statement.

This would ensure the correct computation of tax under Section 7E of the Ordinance.

It said that taxpayers and the legal fraternity are worried over the deletion of the tab previously available in the return to claim adjustment of earlier refunds against the tax liability of the current year. The adjustment of refund against the payable tax is a fundamental right of a taxpayer and refund adjustment has always been provided in the return forms without any dispute, KTBA maintained.

It has been observed that the IRIS web portal is presently computing and attributing income associated with provisions of Section 153 to certain predefined and programmed formulas, which results in higher taxation on the same income. Therefore, it is suggested that such taxpayers should be allowed to compute and attribute their incomes based on facts of their cases instead of prefixed tabs. Relevant fields for entering the figures should be relaxed and open, the letter said.

It said that the tax payable by a person other than a banking and insurance company on profit on debt/interest income from government securities is 15%, which shall be the final tax as envisaged under clause 20 of Part III of the Second Schedule of the Ordinance. However, the said clause has been omitted through Finance Act 2022, which will be applicable from Tax Year 2023. Despite this fact, IRIS has been manned to calculate tax on such profit on debt/interest income as per normal slab rate thereby wrongly applying the changes made through Finance Act 2022 retrospectively in the TY 2022 as well.

Presently, IRIS on the web portal is presently not catering to the initial depreciation allowance @ 25%, allowed on purchase of Plant and Machinery under the provisions contained under Section 23, resulting in an incorrect computation of tax depreciation.

It said that statement of wealth for the tax year 2022 is pre-populated with the opening balance of last year's closing balance of the original wealth statement filed by the taxpayer without considering any revised wealth statement filed by the taxpayer. Consequently, those taxpayers who had revised their latest wealth statement are facing unnecessary and avoidable hassle.